423 of government real estates has no doubt increased these
45 speculative activities. The process has also been greatly
178
369 accelerated by an enormous increase since the war of banking
182 facilities, which traditionally extend loans on mortgage of real estate. It should be noted in this connection that the demand for loans in Bangkok has been so great as to allow most commercial banks to adopt a highly discriminating policy of extending loans only to their favored customers who are often willing to give as much as five per cent of the loan sought to bank officials as a customary "tea-money".

182 A third factor is that some organized financial
423 institutions have actively been engaged in deliberate at-
435 tempts to boost up land prices for their own speculative
455 gains. This was the immediate cause of the rise of land
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369 price in Zone 1 from 300 baht per rai in 1948 to 12,000 baht per rai in 1953. According to several informants in Bangchan, a representative of an insurance company in Bangkok came to the village in 1952 and offered to buy land on each side of Minburi Road at 10,000 baht per rai. This man was able to buy 20 rai of land at Km. 8, Minburi Road, which is in the immediate neighborhood of our arbitrary Bangchan Village, at his offered price of 10,000 baht per rai. At the time of the signing of the purchase contract, he made a 10 per cent down payment of 20,000 baht. Although the balance of 180,000 baht was not paid and the contract was later forfeited, the proposed purchase immediately pushed land prices in Zone 1 up to 10,000 baht per rai or over. According to

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423 cur informants, the insurance company owned hundreds of
435 rai of land in the vicinity. By spending only 20,000 baht
456 in boosting up land prices, the company thus set the stage
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367 for making a large profit through sale of their own land
at inflated prices.

178 While the increase in land prices in Zone 1 was
429 attributable to the sudden assumption of residential land
435 prices, this explanation does not apply to the increases in land prices in the other zones which have remained agricultural throughout. Although less spectacular than the case of Zone 1, the rise in land prices in these six zones was also quite abrupt, averaging 560 per cent for the five-year period from 1946 to 1953 (Table 28).

429 Capitalized valuation of these farm lands (Zones
434 2-7) may shed some light on the situation, although there
427 is limitation especially to the cost concept. There are two ways by which a capitalized value of farm lands may be obtained: (1) by capitalizing income from the farm operation left after payment of all factor costs except land, and (2) by capitalizing income deriving from explicit rent of the land.

243 Receipt from one rai of rice land in 1948 may be cal-
435 culated from the crop of 32.1 tang at 252 baht, using that
434 year's average farm price of 7.86 baht per tang of paddy.
423 When the cost, including an imputed return to all labor but
427 excluding rent, of 166 baht per rai is deducted, a residual return to land of 86 baht per rai is obtained for the year.[15]

15. For want of sufficient data, it is assumed that the cost items other than rent remain the same.